

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7144

BILL NUMBER: SB 247

DATE PREPARED: Feb 23, 1999

BILL AMENDED: Feb 22, 1999

SUBJECT: Renter's deduction.

FISCAL ANALYST: Diane Powers

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FUNDS AFFECTED: **X** GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(10,600,000)	(11,000,000)
State Expenditures			
Net Increase (Decrease)		(10,600,000)	(11,000,000)

Summary of Legislation: (Amended) This bill increases the renter's deduction under the adjusted gross income tax from \$1,500 to \$2,000.

Effective Date: January 1, 1999 (retroactive); July 1, 1999.

Explanation of State Expenditures: The Department of Revenue will have some minimal administrative expenses to update tax forms, instructions and computer programs to accommodate this change which can be done within their existing budget.

Explanation of State Revenues: (Revised) Currently a taxpayer who rents a dwelling for their principal place of residence may deduct from their adjusted gross income the lesser of the amount of rent paid or **\$1,500**. Based on the Department of Revenue's Individual Income Tax Statistics, 611,610 taxpayers deducted \$872.7 M for the renter's deduction in 1995. The tax value of the current deduction at \$1,500 was \$29.7 M in FY 96. This deduction has been increasing at an average annual rate of 2.2% over the last seven years.

This bill increases this deduction to a maximum of **\$2,000** in tax years beginning January 1, 1999 and will reduce individual income tax collections by **\$10.6 M** in FY 2000 and **\$11.0 M** in FY 2001. Income tax revenue is deposited in the General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Counties who have local option income taxes will lose an indeterminable amount of income tax revenue.

State Agencies Affected: Department of Revenue.

Local Agencies Affected: Counties with a local option income tax.

Information Sources: Department of Revenue, Individual Income Tax Statistics.